

Message Text

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ACTION EA-09

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CINCPAC HONOLULU HI

COMUSJAPAN YOKOTA JAPAN

UNCLAS TOKYO 6389

CINCPAC FOR ALSO POLAD

E.O. 1652: N/A

TAGS: ELAB, ECON, EFIN, JA, EALR

SUBJECT: JAPANESE SPRING WAGE SETTLEMENTS REACHED

REF: A. TOKYO 5649

B. TOKYO 5953

1. ANNUAL SPRING WAGE NEGOTIATIONS IN PACESETTING FIRMS OF JAPAN'S BASIC PRIVATE SECTOR INDUSTRIES HAVE NOW BEEN CONCLUDED, ALTHOUGH IT WILL BE SOME WEEKS BEFORE MEDIUM AND SMALL SIZE FIRMS AND THEIR UNIONS COME TO AGREEMENT. ACCORDING TO JAPAN COUNCIL OF METALWORKER'S FEDERATIONS (IMF-J), LATEST WEIGHTED AVERAGE OF SETTLEMENTS OF ITS MEMBER FEDERATIONS BY INDUSTRY ARE: STEEL, 8.4 PERCENT; SHIPBUILDING AND HEAVY MACHINERY, 8.8 PERCENT; AUTOS, 9.4 PERCENT; AND ELECTRIC MACHINERY AND HOME APPLIANCES, 9.9 PERCENT.

2. COMMENT: AVERAGE WAGE INCREASE IN 8 TO 10 PERCENT RANGE SHOULD PROVIDE BASIS FOR MAINTAINING CONSUMER SPENDING AT CURRENT LEVEL IN REAL TERMS, OR EVEN SUPPORT SOME INCREASE
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IF CONSUMER CONFIDENCE STRENGTHENS. AT SAME TIME, IF BUSINESS

RECOVERY ACCELERATES AS GOJ EXPECTS (5.6 PERCENT REAL GNP GROWTH IN JFY 76), INCREASED LABOR PRODUCTIVITY SHOULD BE SUFFICIENT TO ABSORB ACCOMPANYING INCREASE IN BUSINESS COSTS WITHOUT TRIGGERING ANOTHER ROUND OF PRICE INCREASES.

3. IMF-J'S INFLUENCE INCREASED MARKEDLY THIS YEAR WHEN, FOR FIRST TIME, MEMBER FEDERATIONS AGREED TO ASK MANagements TO MAKE FINAL OFFERS ON SAME DAY, AND MANagements DID SO, SPARKING WIDER MEDIA ATTENTION THAN EVER BEFORE TO IMF-JC'S CENTRAL ROLE IN SPRING WAGE NEGOTIATIONS.
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